

# **THE LEONARD LETTER**

*A weekly electronic newsletter about  
California government, business and taxes  
Bill Leonard, Member  
State Board of Equalization*

*July 17, 2006*

## **QUOTE OF THE WEEK**

*"The collection of taxes which are not absolutely required, which do not beyond reasonable doubt contribute to the public welfare, is only a species of legalized larceny. The wise and correct course to follow in taxation is not to destroy those who have already secured success, but to create conditions under which everyone will have a better chance to be successful."*

*-- Calvin Coolidge (1873-1933), 30th U.S. President*

## **AROUND THE STATE**

### **\*\*\*Energy Crisis\*\*\***

Many have forgotten the blackouts and brownouts of the Governor Davis years, but the problem is far from over. We are still not building enough power plants for our future, and we are still overly dependent upon imported power, which in turn is dependent on long-distance power transmission lines. We are not giving any real consideration to the only real alternative: nuclear power energy stations. So, with the heat of summer on us the calls for conservation crop up as it is the only short term way to manage the supply and demand.

On Friday the California Independent System Operator ordered all the state's power plants to suspend any maintenance work so that the plants will keep running. The risk of this is that the plants may breakdown altogether due to lack of maintenance. If you want to track the energy supply and demand for California the CaISO still has their web site of actual and forecasts. You can check it out at:

<http://www.caiso.com/outlook/SystemStatus.html>

### **\*\*\*Drivers' Licenses for Drivers\*\*\***

*From the Bill Leonard Blog 7/13/2006*

The issue of giving California drivers' licenses to illegal aliens just will not go away. The Democrat party seems to have made it their key political platform, and the Governor has given mixed signals despite his veto of the license bill. I am troubled by one aspect of this debate. I do not like the idea that someone may run into me or my car and have no valid identification, rendering me unable to hold them accountable for the damages they caused. I should expect every driver to have some kind of official ID.

The biggest reason why I oppose giving driving licenses to illegal aliens has nothing to do with driving. The license is the valid ID that is used by Homeland Security for boarding every aircraft and for other security purposes. So, here is my idea. Let's have the Feds repeal the Real ID Act and instead require every airline passenger to get a valid ID, not from the state government but from the Federal government. In fact, a valid ID already exists and it is a very secure document. It is called a passport and all legal aliens who visit America have one. And all Americans who travel overseas have one. Let's put the burden for homeland security where it belongs: on the U.S. State Department, not on the state Department of Motor Vehicles.

I would be much more comfortable when I board my next jetliner if all the passengers had shown a passport. I know that drivers' licenses can be forged. If the drivers' license were limited to showing that the person has passed a drivers exam, then the document would fit the use.

### **\*\*\*Fred Aguiar Tells the Truth\*\*\***

*From the Bill Leonard Blog 7/14/2006*

An unelected federal judge's self-serving investigator with practically unlimited powers has spoken in open court calling my friend Fred Aguiar a liar. This is not only wrong but this "master" failed to back up his accusation with any evidence. You would think his boss, the judge, would demand some minimal level of accountability. The fight is over California's prison system. The judge does not think California is doing a good job with its prisoners so he is finding excuses to take over our prison system. This would be very bad for California as this barely accountable expert has already said that he thinks California's Three Strikes law is too tough on felons and he has ordered expensive new services to be given to prisoners without regard to taxpayer costs. If nothing else, the arrogance and high handedness of this judge and his lackey is uniting the Governor, the Legislature, the labor unions, the victims groups, and the people as never before.

### **\*\*\* Higher Standards, Not!\*\*\***

*From the Bill Leonard Blog 7/13/2006*

An interesting item in the LA Times last week. They reported that the University of California is raising the minimum grade point average (GPA) of applicants up from 2.8 to 3.0. Your first thought might be that UC is raising its standards and we should expect brighter graduates in the future. Not.

The truth is that UC must rule eligible the top 12.5% of each high school graduating class. They do that by setting a GPA at which only 12.5% are at or above. So this is not

an example of higher standards at all, just a reflection of grade inflation at the high school level. As with monetary inflation, higher number = decreasing value.

<http://www.latimes.com/news/local/la-me-uc13jul13.1,203420.story?coll=la-headlines-california>

### **\*\*\* Let the Economy Do Its Own Work\*\*\***

*From the Bill Leonard Blog 7/13//2006*

Hat tip to Forbes blogger Rich Karlgaard for directing me to a great column by Tim Worstall about the rise of productivity in America and how it is affecting the economy. See this link:

<http://www.tcsdaily.com/article.aspx?id=071306A>

Explaining what is going on is a conundrum. Productivity is surging, real Gross Domestic Product is growing at the same rate, and profits are historically high -- as are the incomes of the top 1%, but wages for the rest are stagnant. Why?

Worstall's answer is that GDP growth has to be higher than productivity growth for wages to rise. It is simple to see why. If a company can meet growing demand by becoming more efficient, rather than having more employees, there is no good reason to hire more people. Since this means less demand for labor, wages will not rise, except for those who are best positioned to benefit from higher profits, which is what higher productivity is yielding right now.

The question is what to do about it. We could slow productivity through higher regulation by beefing up OSHA, the EPA and the like. We could also increase demand by having the government increase deficit spending. But we know that Keynesian solutions of this kind are counter productive. Productivity is the center of wealth creation. It is not something that should be artificially kept in check. So what to do? I agree with Worstall: we should do nothing. Eventually, GDP growth will be higher than productivity. Employment growth and wages will rise naturally.

Karlgaard's analysis of the political angle is right on: "...some Democrats want to bet the 2006 election on the minimum wage. That's a noble thought, and it might even be smart politics. But as Worstall points out, it's lousy economics. If Dems want to grow wages, they must tell voters how they'll grow the GDP faster than productivity. Er, tax cuts anyone?"

## **TAX TIPS**

### **\*\*\*EZ Returns\*\*\***

When I was a new Board Member, one of my highest priorities was improving the BOE's electronic services. We have been behind in this area and at my insistence; we are now

making great strides to catch up. The newest e-services innovation is the Electronic EZ tax return, which made its debut on July 3. If you currently are one of the 341,000 eligible businesses that receive the paper EZ Return, then you are likely eligible for filing the “e-File EZ.” Visit

<http://www.boe.ca.gov/electsrv/efiling/efiletaxp.htm>

for details. Visit the BOE website often for more additions to e-services coming soon.

## **MISCELLANY**

### **\*\*\*California County History\*\*\***

Placer County was created 1851. Its name is most likely a contraction of the Spanish phrase “plaza de oro” (the place of gold) which means “a place near a river where gold is found.” Indeed, Placer County was at the heart of the gold rush of 1848 and became known for the method of extracting gold from the earth, called placer mining. Before the gold rush brought settlers, the area was home to the Nisenan Indians. When gold mining petered out in the late 1880s, Placer County’s fertile foothill soil fostered farms. Timber harvesting and the Southern Pacific Railroad were also prominent.

Placer County reaches from the suburbs of Sacramento to Lake Tahoe and the Nevada border. Placer County is one of the fastest growing areas in the state, driven by growth in the Sacramento metro area. The county seat is the city of Auburn, which is home to the historic courthouse built in 1894 and still standing today. It houses one of the county’s six museums. For a list of them, go to this link

<http://www.placer.ca.gov/museum/local-museums/local-museums.htm>

In addition to picturesque Lake Tahoe, you may also be familiar with Placer County’s Foresthill Bridge. It was opened to the public in 1973 to replace the bridge that was going to be inundated by the filling of the Auburn Dam Reservoir, planned for 1983. That has not happened yet. The bridge span is 2,428 feet, only 16 feet shorter than the Golden Gate, and it soars 730 feet above the streambed of the American River's north fork. You have seen the bridge in many movies.

### **\*\*\*A Good Read\*\*\***

What do Muslim religious leaders say about terrorist violence? I was pleasantly surprised to read in the Orange County Register

[http://www.ocregister.com/ocregister/news/abox/article\\_1207061.php](http://www.ocregister.com/ocregister/news/abox/article_1207061.php)

that Haitham Bundakji, spokesman for the Islamic Society of Orange County said “The message distracts from the need to stop Palestinian violence. Adam Gadahn and al-Qaida should stop portraying themselves as Muslims and stop speaking on our behalf. We

reject any notion of violence.” This has been on my mind since I finished the book “The Politically Incorrect Guide to Islam and the Crusades” by Robert Spencer. He quotes not only the Qur'an but also many contemporary leaders of Islam that reflect a pattern of violence and conquering. He puts the Crusades in perspective of a thousand-year conflict for lands and souls throughout Europe and Asia where each side was advancing their interests. Christianity and Islam cannot both be right. In a religious sense, they are in conflict. The question is: can they co-exist in a world with many people who are not of their faith. I know that this is possible for Christians; I am still trying to figure out if this is possible for Muslims. I thank Bundakji for his encouraging statements, and I recommend the “Politically Incorrect Guide to Islam” for offering up many issues to ponder.

## **BOE AND LEGISLATIVE DATES**

**July 18, 2006** --- BOE meets in Sacramento.

**August 7, 2006** --- Legislature reconvenes from summer recess.

**August 16, 2006** --- BOE meets in San Diego.

**August 29, 2006** --- BOE meets in Sacramento.

**August 31, 2006** --- Final recess of legislature begins upon adjournment.

**September 4, 2006** --- Labor Day.

**September 12-13, 2006** --- BOE meets in Culver City.

**September 26-27, 2006** --- BOE meets in Sacramento.

**September 30, 2006** — Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 (Art. IV, Sec.10(b)(2)).

## **NOTABLE DATES/ HISTORY**

**July 17, 1945** --- Harry Truman, Winston Churchill, and Joseph Stalin meet at the beginning of the Potsdam Conference, to establish the details of the Allied occupation of Germany.

**July 17, 1955** --- The world's first theme park, Disneyland, opened in Anaheim, California. I was there that same month.

**July 18, 64:** Two-thirds of the city of Rome burned. The emperor Nero rebuilt the city but remained unpopular and was driven from Rome four years later.

**July 18, 1906** --- Birth of U.S. Senator Samuel Hayakawa (R-CA).

**July 18, 1969** --- Senator Edward Kennedy drove his car off a bridge on Chappaquiddick Island, Massachusetts. His passenger, Mary Jo Kopechne, drowned, but he did not report the accident until the following day.

**July 19, 1799** --- French troops in Egypt discovered the Rosetta Stone, a basalt slab inscribed with three ancient languages that, 20 years later allowed researchers to translate ancient Egyptian hieroglyphics.

**July 19, 1848** --- In Seneca Falls, New York, women's rights advocates Lucretia Mott and Elizabeth Cady Stanton opened the Seneca Falls Convention, which demanded full citizenship rights for women.

**July 19, 1990** --- Cincinnati Red Pete Rose was sentenced to five months for tax evasion.

**July 20, 1868** --- First use of tax stamps on cigarettes.

**July 20, 1969** --- U.S. Apollo 11 astronauts Neil Armstrong and Edwin “Buzz” Aldrin landed on the moon, where Armstrong became the first person to step on the moon's surface.

**July 21, 1861** --- Confederate general Thomas Jackson acquired his nickname “Stonewall” in the Confederate Army's convincing victory in the first Battle of Bull Run.

**July 21, 1925** --- A Tennessee jury found high school teacher John Scopes guilty of teaching evolution. He was fined \$100.

**July 22, 1937** --- President Franklin Roosevelt suffered his first major legislative defeat when the U.S. Senate rejected his bid to expand the Supreme Court.

**July 23, 1852** --- The first interment occurred at the U.S. National Cemetery at the Presidio in San Francisco.

**July 23, 1925** --- NY Yankee Lou Gehrig hits his first of 23 career grand slams.

**July 23, 1764** --- James Otis of Boston published a tract that included the phrase that summarized the anti-British sentiment among colonists: “Taxation without representation is tyranny.”

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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